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FISCAL IMPACT STATEMENT

LS 6668 | **NOTE PREPARED:** Dec 26, 2006
BILL NUMBER: SB 176 | **BILL AMENDED:**

SUBJECT: Growth Related Projects and Land Conservation.

FIRST AUTHOR: Sen. Mrvan | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL | **IMPACT:** State & Local
X DEDICATED
FEDERAL

Summary of Legislation: The bill prohibits various state agencies from funding growth related projects in certain areas.

The bill provides a tax credit for job creation in certain municipal areas.

The bill establishes the Hoosier Legacy Fund to fund eligible projects under the United States Department of Agriculture's Farmland Preservation and Forest Legacy Programs. It authorizes the Land Resources Council to identify priority funding areas and perform certain other tasks.

It also requires the Department of Local Government Finance to give priority to school construction projects that: (1) renovate or expand existing school buildings; (2) are located in existing neighborhoods; (3) do not contribute to the conversion of farm lands; and (4) do not require new water or sewer infrastructure.

Effective Date: July 1, 2007.

Explanation of State Expenditures: *Smart Growth Job Creation Tax Credit:* The Department of State Revenue (DOR) will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new tax credit. The DOR's current level of resources should be sufficient to implement this change.

Farmland Preservation and Forest Legacy: The bill requires the Department of Natural Resources (DNR) to administer the Hoosier Legacy Fund. This provision should result in no additional expenses to the DNR because expenses incurred for administering the Fund are to be paid from money in the Fund.

The Hoosier Legacy Fund consists of appropriations made by the General Assembly, gifts and donations, federal grants, or money from other sources. Money in the fund at the end of the fiscal year does not revert to the state General Fund. The Fund is established to provide matching funds for eligible projects under the U.S. Department of Agriculture Farmland Preservation Program and the Forest Legacy Program.

Explanation of State Revenues: *Containing Urban Sprawl:* The bill provides that the State Budget Agency, the Department of Transportation, and the Department of Environmental Management may not fund a growth-related project in an area that is not a "priority funding area." The bill establishes this prohibition for the Indiana Economic Development Corporation for projects it funds from the Indiana Promotion Fund. The bill defines a "priority funding area" as defined by the boundaries of a municipality existing on July 1, 2007; or zoned industrial areas served by a public or community water and sewer system contiguous to a municipality. This provision will have an indeterminable impact on the funding provided by the agencies.

Smart Growth Job Creation Tax Credit: The bill establishes a refundable tax credit against the Adjusted Gross Income (AGI) Tax, Financial Institutions Tax, and Insurance Premiums Tax for the establishment or expansion of a business facility located in a priority funding area that results in job creation. The impact of this provision will depend on the number and nature of businesses that elect to locate in a priority funding area and the number and types of jobs created.

To qualify for the credit, the establishment or expansion must create: (1) at least 60 new positions; (2) at least 30 new positions if the total payroll for the new positions is greater than 60 times the state average salary; or (3) at least 25 new positions if the taxpayer is engaged in an industry specified in the bill. The credit is the lesser of the number of qualified positions multiplied by $1,000, or the aggregate total of wages paid by the taxpayer to the qualified employees multiplied by 2.5%. If the credit exceeds a taxpayer's tax liability, the credit may be carried forward or refunded. The credit may not be carried back. If the taxpayer is a pass through entity and does not have a tax liability, the credit could be taken by shareholders, partners, or members of the pass through entity in proportion to their distributive income from the pass through entity. Since the credit is effective beginning in tax year 2008, the fiscal impact could potentially begin in FY 2008 if taxpayers adjust their quarterly estimated payments. Revenue from the AGI Tax on corporations, the Insurance Premiums Tax, and the Financial Institutions Tax is distributed to the state General Fund. The revenue from the AGI Tax on individuals is deposited in the state General Fund (86%) and the Property Tax Replacement Fund (14%).

Explanation of Local Expenditures: *Priority Construction Projects:* The Department of Local Government Finance must give priority to school construction projects that (1) renovate or expand existing school buildings; (2) are located in existing neighborhoods; (3) do not convert or contribute to the conversion of agricultural lands; and (4) do not require new water or sewer infrastructure. This provision could affect local expenditures by an indeterminable amount. The impact will depend on the number and nature of the construction projects.

Requiring businesses and industries to locate within a priority funding area could decrease costs to local units for providing, developing, or maintaining the necessary infrastructure to serve the new business or industry.

Explanation of Local Revenues:

State Agencies Affected: Department of Local Government Finance; Indiana Economic Development Corporation; Department of Transportation; Department of Environmental Management; Department of State Revenue; Department of Natural Resources; State Budget Agency; and any other agency that distributes state or federal money for growth-related projects.

Local Agencies Affected: All local units.

Information Sources:

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